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Report Highlights:
Exporters who are interested in the Polish market should consider both the opportunities given Poland's relatively large population of young, educated consumers, as well as the challenges that a U.S. exporter faces in light of its EU membership. The Polish retail and HRI sectors present opportunities for U.S. exporters of high value products. In addition, Poland's expanding food processing sector also provides opportunities for U.S. suppliers of a wide variety of inputs.

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Section I: Market Overview

Current economic conditions

Poland's economy has developed rapidly since its move toward a free market in the post-Soviet era, which began in 1989. It is a success story among transition economies that were under former Communist control. The privatization of small and medium state-owned companies and a liberal law regarding the establishment of new firms encouraged the development of the private business sector. In addition, since May 2004, Poland's membership in the European Union opened up a wide range of trade and export opportunities for Polish businesses. EU membership also provides Poland with substantial financial assistance that is helping in further modernization and growth in Poland. This structural development funding from the EU amounted to approximately $15 billion[1] from 2004 to 2006, with about 15 percent of the total dedicated to rural development.

Poland experienced strong growth in early 2006 with the gross domestic product increasing 5.4 percent for the first six months. Increasing exports, up 23 percent from January through August 2006, helped fuel this economic expansion. The vast majority of Poland's exports, 78 percent, are destined for the EU. Agricultural products account for 13 percent of Poland's exports, with 60 percent sold to other EU members. In addition, increasing foreign direct investment, up 30 percent from January-June 2006 as compared to this period in 2005 added to the strong domestic growth. The economic upturn also helped lower unemployment to a six year low of 15.2 percent in September 2006.

Despite its recent economic success Poland's economy still faces significant challenges. Poland's agricultural sector remains burdened by surplus labor, inefficient small farms, and lack of investment. Restructuring and privatization of sensitive sectors such as coal, steel, railroads, and energy while underway, are taking time. In addition, reforms in health care, education, the pension system, and state administration have resulted in larger than expected public fiscal pressures.

Demographics and employment

Poland's population of 38.5 million is increasingly concentrated in cities with 61.5 percent living in urban centers. The median age is 37 years of age and increasing. The age ranges 30 to 44 and 45 to 64 are the largest with 20 percent and 25.4 percent of the population respectively. A trend toward smaller families is becoming more apparent in Poland's 13.3 million households, with an average household size of 3.07.

Average monthly wages for workers across Poland in 2005 was $260. The household consumption expenditure rate in CY2005 grew 0.5 percent from CY2004. In 2005, the average monthly expenditures of households per capita was $248, of which about $70 is dedicated to food. These figures are based on national averages but in urban centers, incomes, expenditures related to food, and disposable income is estimated to be almost double the countrywide averages.

Unemployment dropped steadily throughout the year reaching about 15 percent in the third quarter of 2006. This drop was not only due to the increasing the number of Poles working in cities like London and Dublin, but also strong new job creation; 500,000 net new jobs were reported from June 2005 to June 2006. Of the approximately 17 million people employed in Poland 55 percent work in the service sector, 29 percent work in the industrial sector, and 16 percent of the population works directly in the agriculture, forestry and fishery

1 All monetary figures are reported in U.S. dollars.

sectors. Almost half, 47.8 percent, of Polish women are employed outside the home in part or full-time work.

U.S. exporter opportunities

Exporters who are interested in the Polish market should consider both the opportunities given Poland's relatively large population of young, educated consumers, as well as the challenges that a U.S. exporter faces in light of its EU membership. In general, the Polish view the United States positively and U.S. products are considered high quality. In addition, a product that has been imported into the EU can be transported to Poland without additional tariffs and without meeting many additional regulatory requirements aside from labeling. Poland presents opportunities for U.S. exporters of high value products, such as seafood, wine, dried fruits and nuts, and grapefruit. Select opportunities also exist in food processing and catering industries, which are increasingly interested in importing processed fruits and vegetables, and baking ingredients such as baking mixes and fats. As the market continues to develop, more sophisticated products such as energy drinks are also finding their place on the market. Most of the opportunities for U.S. products are in urban areas where consumers have larger disposable incomes and are interested in imported products. In summary, Poland does provide advantages to exporters with the right product who are willing to invest in market research and product positioning.

Poland's EU accession has resulted in lowered tariffs on some U.S. products, which has expanded market growth potential in some areas such as wines, grapefruit, and dried fruits and nuts. Other products are subject to new EU sanitary restrictions that prohibit their sale in Poland almost entirely, such as poultry and beef. In addition, some food products imported from the United States such as prepared sauces, spices and other processed foods are subject to higher EU duties related to the EU's WTO case against the United States regarding tax treatment of Foreign Sales Corporations.

Advantages and Challenges of the Polish Market for U.S. Exporters

Advantages	Challenges
Central Europe's most populous country with a domestic consumer market of nearly 40 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location within a dense, major international market offering re-export potential.	Complicated system of product registration in some cases delaying or even preventing the product from entering the Polish market.
Transshipment from other EU countries of import now possible with Poland's EU integration.	Poland's EU Accession puts United States products at a competitive disadvantage versus EU-25 duty-free EU internally traded products.
A very productive, young and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Despite rising incomes, Polish consumers indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Polish consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Polish consumers views of imported products, and GMO issues hamper imports of United States products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wines, and microwavable products.	Foreign investment in the Polish food processing industry results in local production of many high quality products that were previously imported.
Economic growth has been rising and the U.S. dollar's depreciation makes U.S. imports more affordable.	An additional ad valorem tariff was put into place by the EU as part of its WTO case on Foreign Sales Corps. This 15 percent tariff is only applied to certain goods.

Section II. Entering the Polish Market, Customs and Terms

The best way to understand the Polish market is to visit and speak to importers and distributors in order to prepare the best entry strategy for your product. Personal contact is considered very important when conducting business in Poland. Most purchases are made after meeting an exporter or their representative in person. English is more and more common as the language of commerce, but it is important to check in advance to see if translation services are necessary. It is customary for business people in Poland to shake hands upon meeting. An American businesswoman should not be surprised if a Polish businessman kisses her hand upon greeting or saying goodbye. Business cards are the norm in Poland and are generally given to each person at a meeting; therefore U.S. visitors should bring plenty of business cards to a meeting, although cards printed in Polish are not necessary. Business attire is formal, including a suit and tie for men and a suit or dress for women.

The concept that “time is money” should be left in the United States when developing relationships with potential importers in Poland. Though Polish businesses are also conscious of the bottom line, courtesy and non-business conversations are important prior to getting “down to business.” In addition, if a Polish client visits you in the United States, some hospitality, such as a meal is considered appropriate, and you will be accorded similar treatment while visiting Poland. A good reference on Polish business customs and cross-cultural differences between the United States is Laura Klos-Sokol’s Short Cuts to Poland, 2nd Edition, 2005.

Advertising in Poland is important for acceptance for new products. Television, though the most expensive venue, is the best of these mediums in Poland with products advertised through television promotions showing the greatest sales growth of all advertised products. Billboards and in-store promotions are also proving very effective. Promotions on products, such as in-store sampling, have been shown to influence the purchases of 50 percent of adult Poles.

Many Polish importers expect terms-of-credit for 30 to 90 days for imports. These are considered standard and are offered by many exporters from competing countries.

Technical regulations including documentation, sanitary and phytosanitary requirements and labeling have changed since Poland's EU-25 accession. Most of the requirements were amended in order to reflect EU regulations. For detailed information on product import certificates please refer to the Certification Guide, GAINS PL5028. For details on other Poland specific regulations such as labeling, refer to Poland’s Food and Agricultural Regulations and Standards Report, GAINS PL6053.

Section III. Market Sector Structure and Trends

Wholesale Sector

The wholesale market has changed over the last several years and is marked by consolidation, an increase in the market power of large buyers, an increase of companies with national coverage, and closer linkages between wholesalers and retailers.

Poland’s wholesale market structure has five categories: national chains, regional chains, regional wholesalers, local wholesalers, and buying groups (consisting of regional chains and regional wholesalers). The national chains, the least numerous of them, operate several branches throughout Poland with central management. The regional chains have recently grown through consolidation and purchase of bankrupt firms; they are territorial, usually cover several provinces, and supply mainly retailers. Regional wholesalers have a strong presence in local markets and offer a wide range of products and greater service. Local wholesalers are feeling the pressure of the larger firms in the industry so now primarily deal in cash and carry. Buyer groups operate in several market segments and are increasing their integration with specific retailers.

The larger businesses in this sector are firms with foreign or mixed foreign and domestic capital. The largest is the Macro Cash and Carry, owned by the German company Metro, the second largest wholesaler is Eurocash JMB Polska, the third-largest, Milo, and the fourth is the U.S. company McClane.

Retail Sector

The distribution system for consumer ready food products, as with all other branches of the Polish economy, is still undergoing a rapid transformation. It should be noted that despite many obstacles including the high cost of credit, high store rents, and complaints of late payments by retailers, it remains one of the most dynamic and fastest growing areas of the Polish economy. The retail sector in Poland is very diversified. It ranges from small family operated stores, through medium sized stores to large distribution centers which can be easily compared with those found in countries in western EU and the United States.

Foreign investors are very active in retailing. There are now over 186 hypermarkets nationwide along with many super-stores. There are approximately 30.9 shops per 10,000 inhabitants. According to Polish analysts big retailing chains will gain control of as much as 80 percent of the Polish market within the next five years with only 8 major players remaining.

For more information on the Polish retail sector please refer to GAINS report PL3045.

Food Processing Sector

The food processing sector in many ways reflects the development of the Polish economy since the fall of communism. The sector is varied with both domestic and international companies represented on the market. There are also a number of small companies operating in the fruit, vegetable, meat processing, and baking sectors located throughout Poland. The most important sectors of the food processing industry are meat, dairy, and alcohol, followed by confectionery, food concentrates, sugar, fruits and vegetables, juices and non-alcoholic beverages production. The proportion of food industry products considered to be value-added is constantly increasing.

For more detailed information on Poland's processing sector please refer to GAINS report PL6026.

Hotel, Restaurant & Institutional Sector

Traditionally, Poles prefer to dine at home rather than in restaurants. Low incomes and relatively high prices in restaurants have limited growth in this sector. Prices in restaurants and food service establishments in the early 1990s increased much faster than retail prices for food.

Today the variety and sheer number of restaurants reflects the changing demographics in Poland. In the past, primarily foreigners or Polish government officials frequented restaurants and the majority of these restaurants were found in hotels.

With more Poles working longer hours, Polish eating habits have also been altered and eating out is common. Polish, Italian, Chinese, Mexican and Indian restaurants can be found in almost every Polish city. American chains have also started to appear in larger cities like Warsaw. These chains include T.G.I. Friday's, Champions, Mc Donald's, Pizza Hut, and KFC. In addition, many of the international hotel chains such as the Marriott Hotel, Radisson, Sheraton, Hyatt, and Holiday Inn are present in Polish cities. Many local entrepreneurs are investing heavily in this sector as well.

Several of the larger domestic producers have set up separate distribution channels especially for this sector. While all the other sectors of Polish food distribution are already very competitive, HRI still provides excellent opportunities for growth. An HRI-targeted promotion campaign may offer U.S. exporters good opportunities for sales to Poland.

For more detailed information on Poland's HRI sector please refer to GAINS PL6013.

Section IV: High Value Product Prospects

Select high value product imports have recorded strong growth in recent years led by seafood products, nuts and dried fruits, and alcohol.

Polish Imports of Consumer Ready Products

Product category	2005 Imports	2-Yr. Avg. Annual Import Growth	U.S. Import Tariff Rate	Key Constraints	Market Attractiveness for U.S. Exporters
Salmon	$ 77.3	63.70%	2%& 8%	Price competition from local producers and European countries, lack of promotion	Growing seafood consumption and developing restaurant market
Sunflower Seeds	$15.1	24.80%	0%	Competitively priced quality product available from Hungary	Growing market, insufficient local production of high quality product
Wine	$95.6	28.20%	9.9-32€ /hl depending on alcohol content	Strong position of French, Italian and other suppliers	Good reputation of Californian wines, growing market
Grapefruit	$23	12.60%	1.5-2.4% depending on season	Competitively priced imports available, esp. from Turkey	Strong position of American suppliers, growing market
Whiskies	$11.9	76.60%	0%	Traditional consumption of Scottish Whiskey	Increasing consumption due to prestige associated with product
Raisins	$16	19.70%	2.40%	Price competition from other suppliers	Developing market for cakes and sweets
Dried prunes	$7.3	30.50%	9.60%	Price competition from local and other foreign suppliers	High quality and strong position of California prunes
Pistachios	$5.5	30.60%	1.60%	Increasing activity of other suppliers, relatively high prices compared to other nuts	Growing snacks and ingredient market
Peanuts	$26	12.80%	0%	Lower prices offered by competitors	Growing snacks and ingredient market
Almonds (shelled)	$11.9	43.80%	3.50%	Competitively priced imports available from Spain	Growing snacks and ingredient market

World Trade Atlas figures, in millions of U.S. dollars, calendar year information

Section V. Key Contacts and Further Information

One of the goals of the Foreign Agricultural Service (FAS) office in Warsaw is to assist in the market development and promotion of U.S. food and agricultural products in Poland. There are a wide variety of ways in which to approach the Polish market and many key contacts such as importers, distributors, and retailers. Please contact FAS Warsaw if you would like additional information on the Polish market if your company is interested in selling U.S. food and beverage products to Poland.

Several commodity groups who are partners with FAS in promotion, called cooperators, are active in the Polish market. Those cooperators particularly active in Poland include: California Pistachio Commission, Raisin Administrative Committee, Northwest Wine Coalition, American Hardwood Export Council, U.S. Wheat Associates, Cranberry Marketing Committee, and Food Export USA Northeast. The California Wine Institute and the U.S. Soybean Export Council have local representatives in Warsaw. These contacts can be provided to any business exporting U.S. food products.

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Appendix 1. Statistics

A. KEY TRADE & DEMOGRAPHIC INFORMATION

Agricultural Imports From All Countries ($Mil)/U.S. Market Share (%)[2]	5,571/1.20%
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%)	1,777/3%
Edible Fishery Imports From All Countries ($Mil)/U.S. Market Share (%)	486/3.5%
Total Population (Millions)/Annual Growth Rate (%)	38.5/0.02%
Urban Population (Millions)/Annual Growth Rate (%)	23.9/1-2%
Number of Major Metropolitan Areas[3]	1
Size of the Middle Class (Millions)/Growth Rate (%)[4]	3.9/1%
Gross Domestic Product (current growth, Jan-Aug 2006)	5.4%
Unemployment Rate (%, September 2006)	15.2%
Average Monthly Food Expenditures, USD	$70
% of Employed Females[5]	47.8%[6]
Exchange Rate (US$1, December 2006)	2.85

[2]UN Statistics, data from 2004.

[3]Population in excess of 1,000,000.

[4]These are unofficial estimates due to the lack of reliable statistics.

[5]Percent of total number of women 18-59 years old.

[6]Statistical Yearbook of the Republic of Poland, 2005.

B. POLISH CONSUMER FOOD & EDIBLE FISHERY PRODUCT IMPORTS

	Imports from the World			Imports from the U.S.			U.S. Market Share		
(In Millions of Dollars)	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,500	1,643	1,777	31	43	45	2	3	3
Snack Foods (Excl. Nuts)	132	160	237	0	2	0	0	0	0
Breakfast Cereals & Pancake Mix	2	3	6	0	0	0	0	4	7
Red Meats, Fresh/Chilled/Frozen	75	85	201	6	17	2	1	5	9
Red Meats, Prepared/Preserved	10	9	13	0	0	0	0	1	0
Poultry Meat	22	18	80	2	0	0	2	3	2
Dairy Products (Excl. Cheese)	79	81	105	0	0	0	0	1	0
Cheese	16	20	34	0	0	0	0	0	0
Eggs & Products	6	7	14	0	1	1	1	3	5
Fresh Fruit	437	501	582	3	4	6	0	1	1
Fresh Vegetables	110	105	155	0	0	0	0	0	0
Processed Fruit & Vegetables	146	158	225	4	3	7	5	5	3
Fruit & Vegetable Juices	57	61	73	1	1	2	1	1	2
Tree Nuts	31	33	55	3	5	8	10	10	10
Wine & Beer	87	96	122	4	5	6	3	4	4
Nursery Products & Cut Flowers	88	102	141	1	0	0	1	1	1
Pet Foods (Dog & Cat Food)	26	34	47	1	1	1	7	8	6
Other Consumer-Oriented Products	451	511	668	18	16	22	3	4	4
FISH & SEAFOOD PRODUCTS	293	347	319	1	1	4	0	0	1
Salmon	31	55	83	0	1	3	1	1	1
Surimi	44	41	56	0	0	1	0	0	0
Crustaceans	14	17	19	0	0	7	0	0	0
Groundfish & Flatfish	135	148	200	3	6	13	0	1	3
Mollusks	1	1	3	0	0	0	0	0	0
Other Fishery Products	91	96	124	0	0	1	0	0	0
AGRICULTURAL PRODUCTS TOTAL	**3,651**	**4,011**	**5,458**	**108**	**98**	**106**	**2**	**3**	**3**
AGRICULTURAL, FISH & FORESTRY TOTAL	**4,447**	**4,932**	**6,733**	**120**	**110**	**130**	**2**	**2**	**3**

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

C. POLISH IMPORTS FROM TOP 15 SUPPLIERS OF CONSUMER FOODS AND SEAFOOD

CONSUMER-ORIENTED AGRICULTURAL IMPORTS ($1000)	2002	2003	2004
Germany	217145	257815	413477
Spain	251871	302249	360841
Netherlands	167280	190663	301316
Italy	132233	159637	218302
France	87305	97961	150761
Denmark	67758	66361	126044
Hungary	81890	87683	94345
Czech Republic	61249	63748	75527
Ecuador	73129	77416	73064
Greece	60340	54587	72877
Brazil	31189	38077	56564
Belgium	31189	38077	56564
Turkey	33061	33302	55902
United States	45259	58060	55425
United Kingdom	28874	36742	54836
Other	409744	435338	592981
World	1776643	1985364	2758783

FISH & SEAFOOD PRODUCTS ($1000)	2002	2003	2004
Norway	101959	124070	145491
China	31099	45539	44398
Iceland	21504	21045	37784
Russian Federation	35849	25484	30902
Netherlands	14709	21463	26652
Argentina	12298	27437	25989
Denmark	16479	14572	23974
Germany	13217	13014	20285
Ireland	8296	11092	18444
United States	4406	6770	17018
Thailand	12451	14763	14376
United Kingdom	2162	3751	13211
Spain	3430	4456	13022
Sweden	4299	2606	8567
Chile	3811	3002	3696
Other	33450	21246	42360
World	319413	360310	486181

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office